

Information Requests

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Cape Light Compact
D.T.E. 04-32
Response to DTE Second Set of Information Requests
April 13, 2004

DTE-2-1

If the standard offer service rate in Commonwealth Electric Company's ("Commonwealth") service territory were to decrease from its current level before February 28, 2005, would the Program supplier be required to lower its price to ensure that the Program price is less than the standard offer service rate? If so, please identify where in the Filing this provision is located.

Response

A requirement of the ESA is that the Supplier's price remains below standard offer through the remaining term of standard offer, which is due to expire on 3/1/05. Also see the Compact's response to DTE-1-4(a). Note that while it is not expressly stated in the form of contract, the Compact verbally discussed with the three suppliers incorporating some flexibility to re-price to get back below standard offer if the standard offer service rate falls below the contract price; this may be incorporated into the final pricing proposal in the form of a re-opener.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

Cape Light Compact
D.T.E. 04-32
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April 13, 2004

DTE-2-2

If the standard offer service rate in Commonwealth's service territory were to increase from its current level before February 28, 2005, would the Program supplier be allowed to increase its price? If so, please identify where in the Filing this provision is located.

Response

If the standard offer service rate were to increase from its current level, suppliers would not be allowed to increase their price.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

Cape Light Compact
D.T.E. 04-32
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DTE-2-3

Will the Compact require the potential suppliers to submit bid prices that remain constant through the remainder of the standard offer service period (i.e., February 28, 2005)? Please discuss fully whether and how the ability of the Compact to enter into an electric supply agreement (“ESA”) with one of the suppliers would be affected if the Department were to require that the Program price remain constant through the remainder of the standard offer service period?

Response

The Compact is requesting fixed prices per calendar year. If the Department were to require that the standard offer service price has to remain constant through the remainder of the standard offer service period, this would not affect the Compact’s ability to enter into an ESA with one of its suppliers. The Compact would have to notify the suppliers of this requirement prior to requesting pricing.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

Cape Light Compact
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DTE-2-4

What constraints will the Compact place on the potential suppliers regarding the frequency by which their bid prices may change during the period after February 28, 2005? Please discuss fully whether and how the ability of the Compact to enter into an ESA with one of the suppliers would be affected if the Department were to require that Program prices remain constant for six-month periods for the period beginning March 1, 2005?

Response

The Compact has advised the suppliers that the Compact desires fixed prices per calendar year. The Compact has requested fixed calendar year prices to ensure pricing stability. Providing there was no "price to beat," the Compact could accommodate this request. If an artificial benchmark were established as a "price to beat," the Compact would not be able to secure pricing for such a short time period.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

DTE-2-5

The Compact's Default Service Pilot Program ("Pilot") includes a provision that the Compact will terminate the ESA if the default service rates in Commonwealth's service territory are lower than the prices included in the ESA. Cape Light Compact, D.T.E. 01-63, Compact Filing at 1 (March 15, 2002). Does the Program include this same provision? If so, please identify where in the Filing this provision is located. If not, explain why such a provision is not included, including a discussion of why this provision was reasonable and feasible for the Pilot, but not for the proposed Program.

Response

The current Program for standard offer service does not include a provision that pricing has to be below default service rates. The Compact, per G.L. c. 164, §134, is only required to provide a price below the standard offer service price. If the Compact were required to price below the default service rate *after* the expiration of standard offer service, the establishment of a new "price to beat" every six months would make it unfeasible and impractical for municipal aggregators. At its worse, the risk of migration and the uncertainty this brings for suppliers would preclude them from bidding. At best, prices would be artificially inflated for consumers if suppliers were to quote for extended terms with the risk that the load could disappear in six months. Consumers could also lose the benefits of long-term pricing stability and savings resulting from pricing for extended periods.

The price comparison provision was included in the Compact's default-only Pilot so that there would be a definite benchmark to protect consumers in a very different timeframe and setting (e.g. substantially before standard offer's completion). The rationale then is simply not appropriate now as standard offer ends and other issues arise, as set forth in the Compact's filing in this docket in greater detail.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-2-6

The Compact's Pilot includes a provision that a participating customer may exit the Pilot without penalty, but once exiting, is not allowed to rejoin the Pilot for a twelve-month period. D.T.E. 01-63, Compact Filing at 1 (March 15, 2002). Does the Program submitted in this proceeding include this same provision? If so, please identify where in the Filing this provision is located. If not, explain why such a provision is not included, including a discussion of why this provision was reasonable and feasible for the Pilot, but not for the proposed Program.

Response

The Compact's Program does not include the provision contained in the Pilot that a customer who exits the Program may not return for a period of twelve months. A consumer may exit the Program without penalty and upon acceptance by the supplier, may rejoin the Program. This was a negotiated term in all three ESA's.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-2-7

Refer to the Compact's response to Information Request DTE-1-2 and the Compact's Filing at § 21. Has the Compact developed an algorithm (e.g., a computer model) that it will use to evaluate each supplier's bids? If so, please describe fully the algorithm and submit all supporting documentation. If not, please provide a full description of how the Compact will evaluate the bids.

Response

Building on the success of the default pilot, the Compact is finalizing its methodology for evaluating supplier bids for the Program now. Once this is finalized, the Compact will respond in greater detail. The Compact anticipates filing this on or before April 20th.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact